

10 predecessor company since May 1981. From May 1981 until July 1985, I was employed
11 as an Engineer in the Company's Mechanical Design Division. My work involved
12 evaluating contract guaranteed performance of the equipment and systems of the Louisa
13 Generating Station.

14 From July 1985 to August 1993, I was employed as an Engineer in the Gas
15 Engineering Division. I was responsible for gas distribution engineering, cathodic protection,
16 and distribution dispatching in the Illinois and Davenport districts, as well as gas network
17 analysis for all districts in the Company.

18 From September 1993 through August 1995, I was Superintendent in Customer
19 Service where I was responsible for the management and operation of the Call Center,
20 Credit, Collections, and Customer Offices.

21 From September 1995 to January 1999, I was an Energy Consultant responsible for
22 contacts with large industrial customers including contracts, rate applications, and the
23 provision of technical services.

24 Between February 1999 and December 1999, I was employed as a Project Team
25 Leader in the Customer Choice group, where I was involved in process design for Illinois
26 Customer Choice initiatives.

27 In December 1999, I accepted the position of Senior Transitional Pricing Analyst. In
28 this capacity I have the responsibility for development of MidAmerican's electric tariffs.

29 **Q. What are your current responsibilities as Senior Transitional Pricing Analyst?**

30 A. I have general responsibilities for the development of tariff filings related to the Illinois
31 Customer Choice legislation including changes and additions to provide unbundled metering
32 service to non-residential customers.

33 **Q. What is the purpose of your direct testimony?**

34 A. The purpose of my direct testimony is to sponsor and describe MidAmerican's

35

- 36 ■ Residential Delivery Services Implementation Plan;
- 37 ■ delivery services tariff modifications associated with residential delivery service;
- 38 ■ functional cost of service study in this Docket;
- 39 ■ allocation of these functionalized costs to rate classes; and
- 40 ■ delivery services rate design.

41

42 In addition, I will provide a brief overview of MidAmerican's overall filing in this Docket.

43 **Overview**

44 **Q. Please provide an overview of MidAmerican's residential delivery services filing.**

45 A. MidAmerican's filing is made pursuant to Sections 16-105 and 16-108 of the Public Utilities

46 Act enacted as part of the Electric Service Customer Choice and Rate Relief Act of 1997

47 (Act). The general purposes of the filings are to propose a Residential Delivery Services

48 Implementation Plan pursuant to Section 16-105; to propose residential delivery services rates,

49 terms, and conditions pursuant to Section 16-108 of the Act; and to propose various revisions

50 to MidAmerican's existing Delivery Services Tariffs, including revisions to existing rates.

51 In addition to my own testimony outlined previously, the filing contains testimony of the

52 following witnesses:

53 Rate base, income statement, and revenue requirement – Rick R. Tunning

54 Capital structure – James M. Behrens

55 Cost of Equity – Dr. Roger A. Morin, Ph.D.

56

57 Accompanying the filing are MidAmerican's responses to two series of Staff data
58 requests. One series (AD-001 through AD-056) deals with MidAmerican's revenue
59 requirement and general information. The other series (FIN-001 through FIN-009) deals with
60 capital structure and cost of capital issues. These data requests roughly parallel the
61 Commission's filing requirements in the first round of delivery services proceedings filed in
62 March, 1999.

63 **Residential Delivery Services Implementation Plan**

64 **Q. Is MidAmerican filing a Residential Delivery Services Implementation Plan at this**
65 **time?**

66 A. Yes, the Residential Delivery Services Implementation Plan (Plan) is MidAmerican Exhibit No.
67 1.1.

68 **Q. Why is MidAmerican filing a Residential Delivery Services Implementation Plan with**
69 **the Commission?**

70 A. MidAmerican is filing this Plan pursuant to the requirements of Section 16-105 of the Act.
71 Section 16-105 of the Act provides

72 To ensure the safe and orderly implementation of delivery services, each electric utility
73 shall submit to the Commission no later than...August 1, 2001 a delivery services
74 implementation plan for residential customers. The delivery services implementation
75 plan shall detail the process and procedures by which each electric utility will offer
76 delivery services to each customer class and shall be designed to insure an orderly
77 transition and the maintenance of reliable service. The Commission shall enter an order
78 approving, or approving as modified, the delivery services implementation plan of each
79 electric utility no later than 60 days prior to the date on which the electric utility must
80 commence offering such service.

81
82 **Q. Please describe the contents of the Plan.**

83 A. MidAmerican’s Plan for residential customers is similar to the implementation plan for non-
 84 residential customers approved in Docket Nos. 99-0122/0130 (Consolidated). The Act states
 85 the purpose of the Plan is to insure “an orderly transition (to delivery service) and maintenance
 86 of reliable service.” Most of the processes and procedures required to implement residential
 87 delivery services have already been implemented as part of the transition to non-residential
 88 delivery services. Therefore, MidAmerican’s Residential Delivery Services Implementation Plan
 89 concentrates on the relatively few areas which are unique to residential delivery services.

90 MidAmerican’s Plan covers the following topics:

- 91 • Customer Education
- 92 • Supplier Registration
- 93 • Load Profiling
- 94 • Customer Switching
- 95 • Metering
- 96 • Billing
- 97 • Financial Settlement
- 98 • Release of Customer Information
- 99 • Disconnection and Reconnection of Service
- 100 • Return to Bundled Service
- 101 • Miscellaneous Operational Issues

102
 103 **Q. How is the Plan written?**

104 A. The Plan is written in a question and answer format. Each section describes important issues
 105 related to the topic being described and responds to questions related to how each section of
 106 the Plan will be implemented.

107 **Delivery Services Tariff Modifications**

108 **Q. Is MidAmerican filing any modifications to its existing Delivery Services Tariffs?**

109 A. Yes. Modifications to MidAmerican’s existing Delivery Services Tariffs are included as
 110 MidAmerican Exhibit No. 1.2. Pages 1 through 26 of MidAmerican Exhibit No. 1.2 are the

111 modifications to MidAmerican's existing Energy Delivery Services Tariff, Ill. C. C. No. 3 [Tariff
112 Schedule EDS]. Pages 27 through 34 are the modifications to MidAmerican's existing Supplier
113 Energy Delivery Service Tariff, Ill. C. C. No. 4 [Tariff Schedule SEDS]. Pages 35 through 41
114 are the modifications to MidAmerican's existing Supplier Meter Services Tariff, Ill. C. C. No. 5
115 [Tariff Schedule SMS].

116 **Q. Why is MidAmerican filing these Delivery Services Tariffs with the Commission?**

117 A. MidAmerican is making this filing pursuant to Section 16-108 of the Act, which provides that
118 electric utilities must file a delivery services tariff with the Commission at least 210 days prior to
119 the date that the utility is required to begin offering such services pursuant to the Act.
120 Subsection 16-104(a)(4) provides that electric utilities must offer delivery services to all
121 residential retail customers on or before May 1, 2002.

122 **Q. Please describe MidAmerican's existing Delivery Services Tariffs.**

123 A. MidAmerican has three Delivery Services Tariffs which include the rates, terms, and conditions
124 associated with unbundled delivery services to non-residential customers. Tariff Schedule EDS
125 governs the relationships between the Company and its delivery service customers. It includes
126 MidAmerican's delivery services rates, as well as a rider for those delivery services customers
127 who also select MidAmerican as their unbundled meter supplier. Tariff Schedule SEDS
128 governs the relationships between the Company and suppliers providing power and energy on
129 the Company's delivery system. Tariff Schedule SMS governs the relationships between the
130 Company and suppliers of unbundled meter services. Tariff Schedule EDS and Tariff Schedule
131 SEDS were initially approved in Docket Nos. 99-0122/0130 (Consolidated), MidAmerican's
132 initial Delivery Services Tariffs proceeding. Tariff Schedule SMS was initially approved in

133 Docket No. 99-0013, which addressed (among other things) unbundled meter services. The
 134 Commission has approved revisions to all three tariffs since those initial proceedings.

135 **Q. Please describe briefly the proposed revisions to MidAmerican’s Delivery Services**
 136 **Tariffs.**

137 A. The revisions proposed to MidAmerican’s existing tariffs to provide for residential delivery
 138 services are relatively minor. Proposed revisions to MidAmerican’s rates, including the addition
 139 of a residential delivery services rate, will be described in subsequent sections of this testimony.
 140 Revised terms and conditions are proposed in the following areas:

141 Tariff Schedule EDS

- 142 ▪ Table of Contents to reflect changes (Sheet No. 1)
- 143 ▪ Definition of “residential customer” (Sheet No. 4.10)
- 144 ▪ Availability of service to residential customers and combination of “Customer Eligibility”
 145 and “Availability” (Sheet No. 6)
- 146 ▪ Switching window for residential customers returning to bundled tariff services (Sheet
 147 No. 10)
- 148 ▪ Clarification of multiple Direct Access Service Requests (DASR) received for same
 149 effective date (Sheet No. 11)
- 150 ▪ Addition of interval metering requirement for Rate SS and Rate P (Sheet No. 15)
- 151 ▪ Customer class definitions (Sheet No. 16 and 16.10)
- 152 ▪ Late payment deadlines and minimum charge (Sheet No. 17)
- 153 ▪ Delivery services rates (Sheet Nos. 18, 19 and 20)
- 154 ▪ Partial service rates for residential customers (Sheet No. 21.10)
- 155 ▪ Pricing for residential customers on interim supply service (Sheet No. 29)
- 156 ▪ Return to Bundled Services (Sheet No. 30)
- 157 ▪ Interval data recorders for Rate SS and Rate P and modem for Rate P (Sheet No. 40)
- 158 ▪ Metering service charges per meter (Sheet No. 41)
- 159 ▪ Revision in charge for adjustment for primary metering (Sheet No. 42)
- 160 ▪ Metering Services availability for non-residential customers (Sheet Nos. 2, 4.10, 14,
 161 15, 18, 21, 25.10, 26, 30, 37, and 38)

162
 163 Tariff Schedule SEDS

- 164 ▪ Definition of “residential customer” (Sheet No. 6)
- 165 ▪ Education provisions for Retail Electric Suppliers (RES) and Customer Self Managers

- 166 (CSM) (Sheet No. 11)
167
168 ▪ Switching window for residential customers returning to bundled tariff services (Sheet
169 No. 18)
170 ▪ Clarification of multiple Direct Access Service Requests (DASR) received for same
171 effective date (Sheet No. 19)
172 ▪ Loss Factors (Sheet No. 41)
173 ▪ Metering Services availability for non-residential and residential customers (Sheet Nos.
174 5.10 and 22)

175 Tariff Schedule SMS

- 176 ▪ Clarification of multiple Direct Access Service Requests (DASR) received for same
177 effective date (Sheet No. 19)
178

- 178 ▪ Metering Services availability for non-residential and residential customers (Sheet Nos.
179 2, 4, 22, 28, 29, 30)

180

181 My testimony will describe changes discussed in the Delivery Services Tariffs on each of the

182

above topics.

183 **Q. Please describe MidAmerican’s proposed changes to the Tariff Schedule EDS.**

184 A. Sheet Nos. 2, 4.10, 14, 15, 18, 21, 25.10, 26, 30, 37, and 38 include revisions which reflect
185 availability of metering services by Meter Service Suppliers (MSP) to non-residential customers
186 only, not to residential customers.

187 On Sheet No. 4.10, MidAmerican proposes to add a definition of the term “residential
188 customer.” The proposed definition would correspond to the definitions in MidAmerican’s
189 existing bundled service residential tariffs. The same definition has been added to Tariff
190 Schedule SEDS and Tariff Schedule SMS.

191 On Sheet No. 6, language has been added to the “Availability” section making
192 unbundled delivery services available to both residential and non-residential customers. The
193 “Customer Eligibility” section on Sheet No.7 moved to Sheet No. 6 and has been modified to
194 indicate all new and existing customers are eligible for delivery services.

195 Sheet No. 10 has been revised to allow requests to return to bundled tariff service by
196 residential customers to be waived if outside the DASR window.

197 On Sheet No. 11, the revision has been made to clarify that DASRs will be rejected for
198 the same effective date once a DASR has been accepted for that date.

199 On Sheet No. 15, a requirement for interval metering has been added for Rate SS, Rate
200 P, and for customers electing partial service under Options 2, 3, or 4.

201 Sheet Nos. 16 and 16.10 have been revised to include a definition of residential Rate R.
202 The detailed qualifications for residential service are taken from MidAmerican’s existing bundled
203 service tariff.

204 Sheet No. 17 has been revised to identify differing late payment deadlines for residential
205 and non-residential customers, in accordance with Ill. Adm. Code Section 280.90 (c). In
206 addition, language was added regarding minimum monthly bills for delivery services customers.

207 As discussed subsequently, the rates on Sheet Nos. 18, 19, and 20 have been revised
208 to coincide with MidAmerican’s proposed revenue requirement and rate design in this
209 proceeding.

210 On Sheet Nos. 21.10 and 29, pricing for partial service and interim supply service,
211 respectively, have been added for residential customers.

212 The “Return to Bundled Services” language on Sheet No. 30 has been revised to note
213 that residential customers may return to bundled services at any time.

214 Sheet No. 40 has been revised to require interval data recorders for Rate SS and Rate
215 P.

216 On Sheet No. 41, monthly meter service charges have been revised to pricing by
217 metering type. On Sheet No. 42, the adjustment for primary metering was revised and
218 additional language was included to address primary meter adjustments for customers with
219 secondary metering.

220 **Q. Does MidAmerican plan to unbundle metering services for residential customers in**
221 **this Docket?**

222 A. No, MidAmerican is not planning to unbundle metering services for residential customers in this

223 Docket. MidAmerican does not believe it has the authority to unbundle metering services since
224 the order in Docket No. 99-0013 was to unbundle non-residential metering services.

225 **Q. Is MidAmerican proposing to allow residential customers to select partial service?**

226 A. Yes. Residential customers will be permitted to take partial service in accordance with 16-104
227 (e) of the Act. Residential customers will have the same metering requirements as non-
228 residential customers under partial service.

229 **Q. What conditions must be met in order to accommodate this?**

230 A. Delivery service customers electing to purchase a portion of their power and energy from an
231 alternate supplier and the remainder from the Company must designate a constant percentage of
232 the customer's total load to be purchased from alternate suppliers. In addition, customers must
233 have interval metering in place at their premise.

234 **Q. Why is MidAmerican requiring that interval metering be in place for a customer to
235 switch only part of their load to an alternate supplier?**

236 A. MidAmerican will require that customers switching only part of their load to an alternate supplier
237 nominate the percentage of the load they are switching. This constant percentage of load will be
238 applied on an hour by hour basis to determine the amount of energy that customer purchased
239 from their supplier and the amount of energy purchased from the Company under bundled tariff
240 rates. As the amount of load purchased from the supplier will vary on an hour by hour basis,
241 MidAmerican needs an interval recorder on the premises for the purpose of calculating energy
242 imbalances on the portion of the load purchased from the supplier.

243 **Q. Will residential customers be allowed to have multiple suppliers?**

244 A. Yes, multiple suppliers will be able to serve residential customers under the same requirements

245 as non-residential customers. An energy supply coordinator will be required for any customer,
246 residential or non-residential, having more than one supplier.

247 **Q. Please describe MidAmerican’s proposed changes to Tariff Schedule SEDS.**

248 A. Sheet Nos. 5.10 and 22 include revisions which reflect availability of metering services by
249 MSPs to non-residential customers.

250 A definition of “residential customer” has been added on Sheet No. 6 and residential
251 loss factors have been added on Sheet No. 41, which are the same loss factors proposed for
252 other classes receiving service at secondary voltages.

253 On Sheet No. 11, education provisions for RESs and CSMs have been revised to
254 reflect materials availability and eliminate mention of the initial training sessions conducted prior
255 to the October 1, 1999 non-residential market opening.

256 Sheet Nos. 18 and 19 were revised to coincide with the Tariff Schedule EDS revisions
257 to allow requests to return to bundled tariff service by residential customers to be waived if
258 outside the DASR window and to clarify that DASRs will be rejected for the same effective
259 date once a DASR has been accepted for that date.

260 **Q. Please describe MidAmerican’s proposed changes to the Tariff Schedule SMS.**

261 A. Similar revisions were made to the Tariff Schedule SMS as were made to Tariff Schedule EDS
262 and Tariff Schedule SEDS. Sheet Nos. 2, 4, 22, 28, 29, and 30 were changed to reflect the
263 availability of metering services by MSPs to non-residential customers.

264 Sheet No. 19 was revised to to coincide with the Tariff Schedule EDS revisions that
265 allow requests to return to bundled tariff service by residential customers to be waived if outside
266 the DASR window and to clarify that DASRs will be rejected for the same effective date once a

267 DASR has been accepted for that date.

268 **Q. Section 16-103(d) of the Act provides that**

269 **“any residential or small commercial retail customer which elects delivery**
270 **services is entitled to return to the electric utility’s bundled utility tariffed**
271 **service offering provided in accordance with subsection (c) of this Section upon**
272 **payment of a reasonable administrative fee which shall be set forth in the tariff,**
273 **provided, however, that the electric utility shall be entitled to impose the**
274 **condition that such customer may not electric delivery services for up to 24**
275 **months thereafter.”**

276
277 **Does MidAmerican’s proposed tariff address this portion of the Act?**

278 A. Yes. It provides that a residential or small commercial customer may return from delivery
279 services to bundled service at any time. MidAmerican is not proposing to impose an
280 administrative fee in connection with such a switch. Customers would be required to remain on
281 bundled utility service for a minimum period of one year.

282 **Functional Cost of Service Study**

283 **Q. What is the purpose of MidAmerican’s delivery service unbundling cost of service**
284 **analysis?**

285 A. The purpose of MidAmerican’s delivery service unbundling cost of service analysis is to
286 develop a revenue requirement, by function, for a number of functions within delivery service
287 (exclusive of transmission and ancillary services). This analysis is provided in
288 MidAmerican Exhibit No. 1.3.

289 **Q. What data is this analysis based on?**

290 A. This analysis is based on the account by account revenue requirement for delivery services
291 provided by Company Witness Tunning.

292 **Q. For what purposes are the results of this study used?**

293 A. The results of this study are used to develop a revenue requirement by customer rate class to be
294 used in the development of distribution rates by rate class.

295 **Q. Why is MidAmerican supporting a delivery service unbundling cost of service analysis**
296 **in this proceeding?**

297 A. The development of an unbundled cost of service study is necessary for the development of
298 distribution rates.

299 **Q. What functions are included in this analysis for developing MidAmerican's revenue**
300 **requirements?**

301 A. MidAmerican is developing revenue requirements in this analysis for the following distribution
302 functions:

- 303 • Substations
- 304 • Wires
- 305 • Transformers
- 306 • Services
- 307 • Meters
- 308 • Lighting
- 309 • Meter Reading
- 310 • Customer Service
- 311

312 **Q. Please describe briefly the contents of MidAmerican's unbundled cost of service**
313 **study.**

314 A. MidAmerican's unbundled cost of service study is comprised of the following components:

- 315 • Summary of Results
- 316 • Gross Electric Plant
- 317 • Adjustments to Rate Base
- 318 • Operation and Maintenance (O&M) Expenses
- 319 • Other Expenses
- 320 • Operating Revenues
- 321 • Taxes

- 322 • Payroll Allocators
- 323 • Allocators

324 Gross Electric Plant

325 **Q. Please describe the purpose of the Gross Electric Plant Page.**

326 A. The purpose of the Gross Electric Plant Page is to allocate plant, by account, to functions within
327 delivery service.

328 **Q. How are plant accounts allocated to function?**

329 A. Plant Accounts 360-373 are directly assigned to the distribution function for which they pertain.
330 Intangible plant is allocated by directly assigning customer service plant and allocating the
331 remaining intangible plant dollars based on gross distribution plant. General plant is allocated
332 based on gross distribution plant.

333 Adjustments to Rate Base

334 **Q. Please describe the purpose of the Adjustments to Rate Base Page.**

335 A. The purpose of the Adjustments to Rate Base page is to allocate adjustments to rate base to
336 functions within delivery service.

337 **Q. How are adjustments to rate base allocated to function?**

338 A. Accumulated provisions for depreciation and amortization are directly assigned according to the
339 type of plant the expenses are associated with (distribution plant, general plant, etc.). Materials
340 and Supplies, Accumulated Deferred Income Taxes, and Accumulated Deferred Investment
341 Tax Credits are allocated based on Total Allocated Gross Plant. Budget Plan Balances,
342 Customer Advances and Customer Deposits are allocated based on Gross Distribution plant.

343 **Q. Why are Materials and Supplies, Accumulated Deferred Income Taxes, and**

344 **Accumulated Deferred Investment Tax Credits allocated based on Total Allocated**
345 **Gross Plant?**

346 A. Materials and Supplies, Accumulated Deferred Income Taxes, and Accumulated Deferred
347 Investment Tax Credits are allocated based on Total Allocated Gross Plant because they arise
348 directly from plant investment.

349 **Q. Why are Budgeted Plan Balances, Customer Advances and Customer Deposits**
350 **allocated based on Gross Distribution Plant?**

351 A. These items are strictly distribution items and are therefore allocated based on distribution plant
352 rather than total plant.

353 O&M Expenses

354 **Q. Please describe the purpose of the O&M Expense Page.**

355 A. The purpose of the O&M Expense Page is to allocate O&M expenses to functions within
356 delivery service.

357 **Q. How are O&M Expenses allocated to function?**

358 A. Distribution O&M accounts are allocated directly to the function for which they pertain with the
359 exception of Customer Installation Expense which is allocated based on distribution plant for
360 services and metering. Supervision and engineering accounts are allocated based on distribution
361 O&M payroll expense less supervision and engineering. Customer Service accounts are
362 allocated directly to function, with supervision and miscellaneous expense accounts being
363 allocated based on customer accounting O&M expense.

364 **Q. How are Administrative and General accounts allocated to function?**

365 A. Administrative and General Salaries, Office Supplies and Expense, Administrative Expense

366 Transfer and Pensions and Benefits are allocated based on labor costs. Outside Services,
367 Injuries and Damages, Duplicate Charges Credit, Miscellaneous General Expense, Rents, and
368 Regulatory Commission Expense are allocated based on O&M Expense. Property Insurance is
369 allocated based on Gross Distribution Plant.

370 **Q. Why are Administrative and General Salaries, Office Supplies and Expense,**
371 **Administrative Expense Transfer and Pensions and Benefits allocated based on labor**
372 **costs?**

373 A. Administrative and General Salaries, Administrative Expense Transfer and Pensions and
374 Benefits are allocated based on labor costs because they relate directly to labor provided for
375 support services. Office Supplies and Expenses are incurred by the personnel whose salaries
376 are charged to Administrative and General Supplies, and therefore are also allocated based on
377 labor costs.

378 **Q. Why are Outside Services, Injuries and Damages, Duplicate Charges Credit,**
379 **Miscellaneous General Expense, Rents, and Regulatory Commission Expense**
380 **allocated based on O&M Expense excluding fuel?**

381 A. Outside Services, Injuries and Damages, Duplicate Charges Credit, Miscellaneous General
382 Expense, Rents, and Regulatory Commission Expense are allocated based on O&M Expense
383 excluding fuel because these are general expenses related to the overall operations of the
384 Company. O&M Expense is the best proxy for the overall operation of the Company.

385 **Q. Why is Property Insurance allocated based on Gross Distribution Plant?**

386 A. Because Property Insurance is directly related to the value of property, this expense is allocated
387 based on Gross Distribution Plant.

388 Other Expenses

389 **Q. Please describe the purpose of the Other Expenses Page.**

390 A. The purpose of the Other Expenses Page is to allocate Depreciation and Amortization expenses
391 and Taxes Other Than Income Tax to functions within delivery service.

392 **Q. How are Other Expenses allocated to function?**

393 A. Depreciation and Amortization expenses for different plant categories are allocated to function
394 based on the amount of that type of plant allocated to each function. Payroll taxes are allocated
395 based on labor expenses. Total Property Taxes, Invested Capital Taxes, and Real Estate
396 Taxes are allocated based on Gross Distribution Plant. Occupation Taxes and Miscellaneous
397 Taxes are allocated based on Total Allocated Gross Plant.

398 Operating Revenues

399 **Q. Please describe the purpose of the Operating Revenues page.**

400 A. The purpose of the Operating Revenues page is to allocate miscellaneous revenues to functions
401 within delivery service.

402 **Q. How are Operating Revenues allocated to function?**

403 A. Forfeited Discounts, Miscellaneous Service Revenue, Other Electric Revenues and Rent from
404 Electric Property are allocated based on Total Allocated Gross Plant.

405 Taxes

406 **Q. Please describe the purpose of the Taxes Page.**

407 A. The purpose of the Taxes Page is to calculate income tax liabilities for each function within
408 distribution as well as to allocate adjustments to taxable income and deferred income taxes to
409 functions within delivery service.

410 **Q. How are Taxes allocated to function?**

411 A. Income taxes are not allocated to function but are calculated separately for each function.
412 Those items that affect the tax calculation but are not directly calculated (Deferred Income
413 Taxes, Amortization of Investment Tax Credits, Other Adjustments to Taxable Income, Tax
414 Adjustment, and the Interest Synchronization pro forma) are allocated to function based on
415 Total Allocated Gross Plant. Interest on Long Term Debt is allocated to function based on
416 Rate Base.

417 Payroll Allocators

418 **Q. What is the purpose of the Payroll Allocator Page?**

419 A. The purpose of the Payroll Allocator Page is to develop a labor allocator upon which to allocate
420 certain A&G expenses and other payroll related expenses to functions within delivery services.

421 **Q. What do the amounts in each of the accounts represented on this Page represent?**

422 A. The amounts in these accounts represent the total amount of dollars in those accounts that were
423 charged specifically to payroll expenses. The accounts are listed on this page on an adjusted
424 Illinois delivery basis.

425 **Q. How are the accounts on this Page allocated to function?**

426 A. The amounts in these accounts are allocated to function within Distribution on the same basis as
427 those accounts are allocated as shown on the O&M Expenses Page, with the exception of
428 Customer Accounting Expenses Supervision, Miscellaneous Expense, and All Other which are
429 allocated based on Allocated Payroll – Customer Accounting Expense.

430 **Allocation of Functionalized Costs to Rate Classes and Delivery Service Rate Design**

431 **Q. Please provide the rationale for MidAmerican's proposed rate design in this Docket.**

432 A. The rationale for MidAmerican’s proposed rate design is found in MidAmerican Exhibit No.
433 1.4.

434 Customer Classes

435 **Q. What provisions of the Act address the identification of customer classes?**

436 A. Section 16-608(c) of the Act provides, in part, that:

437 The electric utility's tariffs shall define the classes of its customers for purposes of
438 delivery services charges. Delivery services shall be priced and made available to all
439 retail customers electing delivery services in each such class on a non-discriminatory
440 basis regardless of whether the retail customer chooses the electric utility, an affiliate of
441 the electric utility, or another entity as its supplier of electric power and energy.

442
443 **Q. What customer classes does MidAmerican propose in its Delivery Services Tariffs?**

444 A. MidAmerican proposes the following customer classes:

- 445 • Substation Service
- 446 • Primary Service
- 447 • Three Phase Secondary Demand Service
- 448 • Three Phase Secondary Energy Service
- 449 • Single Phase Secondary Demand Service
- 450 • Single Phase Secondary Energy Service
- 451 • Residential Service
- 452 • Lighting

453 MidAmerican has based its proposed customer classes in part on the customer’s
454 delivery voltage. Consideration of the delivery service voltage is contemplated in Section 16-
455 108(d) of the Act.

456 Changes in Rate Design

457 **Q. Does MidAmerican propose any changes in its rate design for its existing delivery
458 services rates?**

459 A. Yes. In addition to proposing changes in the overall levels of these rates in conformity with the

460 revenue requirement proposed in this Docket, MidAmerican is proposing several changes in
461 rate design. These include:

462 Revised minimum charges
463 Minimum metering requirements
464 Revised rate eligibility
465 Revised minimum billing demands
466 Revised basis for monthly metering charges

467 **Q. Why is MidAmerican proposing revised minimum demands?**

468 A. In its rate design proposal in Docket Nos. 99-0122/0130 (Consolidated), MidAmerican
469 proposed to implement demand ratchets on rates having demand charges. The Commission
470 ultimately rejected that proposal. Staff's testimony in those Dockets indicated that Staff was not
471 opposed to minimum bills. Staff Witness Thomas R. Stack stated that in recent years,
472 "minimum bills have been used to prevent customers from taking service under a rate that was
473 designed to recover the costs associated with larger loads." He further stated that he favored
474 minimum bills over demand ratchets because the "minimum does not change due to usage in a
475 prior month as is the case with a ratchet." While MidAmerican continues to believe that
476 demand ratchets appropriately reflect cost causation principles, MidAmerican is proposing to
477 impose minimum bills in this proceeding to reflect the Commission's preference for minimum
478 bills over demand ratchets.

479 Presently, in the absence of either minimum bills or demand ratchets, MidAmerican
480 delivery services customers served from a dedicated substation would pay a customer charge
481 under \$8.00. Clearly, such a charge would not recover the costs of a dedicated substation.

482 MidAmerican proposes to adopt a minimum billing demand of 10,000 kW for Rate SS
483 customers. The minimum bill would be the current monthly service charge plus the demand

484 charge multiplied by 10,000 kW. The proposed minimum demand for Rate SS is equal to the
485 existing minimum demand for bundled Rate 53.

486 **Q. What impact would the proposed minimum demand have on existing customers?**

487 A. None. No customers are currently taking service on Rate SS. Each of the three customers
488 potentially eligible to receive unbundled delivery service on Rate SS is already taking bundled
489 service on Rate 53, where a 10,000 kW minimum billing demand is already in effect.

490 **Q. What minimum metering standards does MidAmerican propose to implement?**

491 A. MidAmerican proposes to require interval metering on customers served on Rates P and SS.

492 **Q. Would these requirements differ from those imposed on similar bundled service
493 customers?**

494 A. No. Rate 41 (a bundled service rate corresponding to unbundled delivery services Rate P) is a
495 time of use rate which already requires interval metering. Likewise, Rate 53 (a bundled service
496 rate corresponding roughly to Rate SS) is also a time of use rate which already requires interval
497 metering. Interval metering would not be a new requirement imposed as a condition of delivery
498 service, but would match the existing conditions imposed on similar bundled service customers.

499 **Q. Does MidAmerican propose minimum metering standards for its other delivery
500 services rates?**

501 A. No. MidAmerican's metering requirements for delivery services rates other than Rate SS and
502 Rate P will not require interval metering.

503 **Q. Does MidAmerican propose any changes to its monthly metering service charges per
504 meter?**

505 A. Yes. MidAmerican proposes to revise the metering charges from charges based on the

506 customer's rate code to charges based on the customer's specific meter requirements. This will
507 allow delivery services customers to pay metering charges based on the actual type of meter in
508 service. The benefit for customers would be a more accurate payment of the actual cost of
509 metering services used in lieu of the broad class cost of metering. It also provides a pricing
510 signal for the delivery services customer for comparison to metering services provided by
511 MSPs.

512 **Q. How were the monthly metering services charges derived?**

513 A. A "typical" metering installation was assigned to each rate class and the corresponding revenue
514 requirement was calculated for each meter type. Metering types which were not included as a
515 "typical" metering installation for the purposes of the revenue requirement were scaled based on
516 the relationship between the installation cost of the non-typical meter installation and the monthly
517 metering charge. For example, the unbundled installation cost of a padmount primary three-
518 phase meter with kVARh and memory is 75.6% of the installation cost of a padmount primary
519 three-phase meter with kVARh, memory, and modem (standard meter for Rate SS); therefore,
520 the monthly metering service charge proposed is 75.6% of the standard Rate SS meter.

521 **Q. Where is MidAmerican's overall rate design philosophy addressed?**

522 A. A detailed rate design description is found in MidAmerican Exhibit No. 1.4.

523 Cost of Generation Facilities

524 **Q. What provision does the Act make for including the cost of generation facilities in**
525 **delivery tariffs?**

526 A. Paragraph 16-108(c) provides that the Commission shall also be authorized to consider
527 whether, and if so to what extent, the following costs are appropriately included in the electric

528 utility's delivery services rates:

529 (i) the costs of that portion of generation facilities used for the production
530 and absorption of reactive power..., and

531
532 (ii) the costs associated with the use and redispach of generation facilities
533 to mitigate constraints on the transmission or distribution system....

534

535 **Q. Does MidAmerican propose to include any generation costs in its Delivery Services**
536 **Tariffs as permitted under Section 16-108(c)?**

537 A. MidAmerican does not at this time propose to include these generation costs in its Delivery
538 Services Tariffs.

539 Transition Charges

540 **Q. What provisions does the Act make for transition charges?**

541 A. Section 16-102 of the Act defines transition charges.

542 **Q. Does MidAmerican propose to implement a transition charge at this time?**

543 A. No. MidAmerican has not imposed transition charges to date and does not propose to
544 implement them in this Docket.

545 **Q. Does MidAmerican's proposed Delivery Services Tariff contain provisions for a**
546 **Power Purchase Option?**

547 A. No. Since MidAmerican is not imposing transition charges, MidAmerican is not required to
548 offer a Power Purchase Option under Section 16-110 of the Act.

549 **Q. Does this conclude your direct testimony?**

550 A. Yes, it does.